CITY OF MIAMI BEACH
Office of the City Manager
Letter to Commission No. 241-2005

To: Mayor David Dermer and Members of the City Commission

Date: September 13, 2005

From: Jorge M. Gonzalez, City Manager

Subject: **GROWTH MANAGEMENT UPDATE**

This is a follow up to the Growth Management workshop held on May 25, 2005.

Attached is a copy of the Workshop after-action, and a Planning Department report updating the Commission on the post-workshop progress on the issues discussed.

A package of potential ordinance amendments has been assembled. The first two ordinances, dealing with residential parking, have been reviewed by the Planning Board, and are scheduled for the City Commission in October. Additional proposed ordinances, dealing with parking impact fees and other zoning requirements will come to the Land Use Committee for initial review in October as well.

The Planning Department is putting together a Request For Proposals (RFP) for a planning/impact fee consultant to help further explore the potential for a Major Use Special Permit type review system. This RFP will be on a Commission agenda shortly.

Finally, staff of the City Attorney's Office continues to research the rationing system discussed at the workshop for potential legal obstacles, and should update the Commission at the applicable Land Use Committee meeting.

JMG\JGG\RGL

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CITY CLERK'S OFFICE

City of Miami Beach - City Commission Workshop
Commission Chambers, 3rd Floor, City Hall
1700 Convention Center Drive
May 25, 2005 City Commission Workshop
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Miami Beach All-America City 2003

Mayor David Dermer
Vice-Mayor Luis R. Garcia, Jr.
Commissioner Matti Herrera Bower
Commissioner Simon Cruz
Commissioner Saul Gross
Commissioner Jose Smith
Commissioner Richard L. Steinberg

City Manager Jorge M. Gonzalez
City Attorney Murray H. Dubbin
City Clerk Robert E. Parcher

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Growth Management Workshop – Issues and Initiatives

Meeting called to order at 4:36:22 p.m. by Vice-Mayor Garcia, who announced that Mayor Dermer would be delayed.

Jorge Gonzalez, City Manager, introduced the item.

Jorge Gomez, Planning Director, gave an overview of the zoning, Charter amendments and the concurrency system/MMP done in the last years during a PowerPoint presentation.

Discussion held.

Commissioner Cruz stated that everyone would like to seize the growth control, and added that if the Commission is going to do something, from a legal perspective, to ensure that they are not going to be running into Burt J. Harris lawsuits. The sentiment is to try to get something done, trying to avoid a legal process. There have been millions of dollars spent in legal matters. Whatever action is taken today must pass a legal standard that will be defendable. The City also must be mindful of litigation, legal fees and costs.

Murray Dubbin, City Attorney, explained that this issue of taking property people own and altering its use or reducing the amount of its use is potentially a claim under the Burt J. Harris Act; that may be one of the costs of doing business and there needs to be awareness that part of the cost of doing business of downsizing and rearranging may be the payment of compensation under the new laws that the State of Florida has adopted. The City has never paid a cent under the Burt J. Harris Act, issues have been resolved and the City has paid attorney's fees.

Discussion continued.

Commissioner Gross asked Fred Beckmann, Public Works Director, where the troublesome intersections are located and in state of failure now and Gross referred to the chart distributed which identified 41st Street, 47th Street, with level of service F in the evening, 43rd Street, Alton Road and Alton Road South as well at 5th, 8th,

11^{th}, 15^{th} and 17^{th}, which were all failing in the evening peak.

Fred Beckmann, Public Works Director, explained that the traffic volumes in some of those areas have increased and reached a level of service F.

Commissioner Gross asked about the status of the protected left turn signals on Alton Road, which have been order some years ago.

Fred Beckmann, Public Works Director, explained that the protected left turn signals are scheduled to be installed by October of this year.

Jorge Gomez, Planning Director, explained the three possible choices: zoning amendments, Major Use Special Project style review system (MUSP), or a Rationing System. He explained that each options has its positive and negative areas and some of these could be done citywide or by neighborhood.

Discussion continued.

Commissioner Steinberg asked Jorge Gonzalez, City Manager, what legislative agenda items have been given to the City Commission to make it a priority to give the Commission power to resolve the concurrency matter.

Commissioner Gross explained that the question Commissioner Steinberg asked would imply imposing an indefinitely citywide moratorium, since one cannot solve the increased capacity issue; and he does not believe that this is what the City wants or legally can impose. One way to modulate what is happening is to monitor it over a period of years, slow and control the rate of growth and definitely having a MUSP review style process to give the ability to require public improvements, rather than specifically concurrency payments from the developer. Discussion continued.

Jorge Gomez, Planning Director, explained that each of these options presented can be done citywide or by neighborhood and would need further study. Lot aggregation issues are consistent and are another way to deal with this issue.

Commissioner Gross stated that the City Commission had instructed the Planning Department to look at areas where lot aggregation was not possible in the City, such as the Museum District, where there is a lot aggregation.

Vice-Mayor Garcia excused himself from the meeting and gave the gavel to Commissioner Bower.

Jorge Gonzalez, City Manager, asked for direction from the Commission to instruct Administration to focus on Package One; take them to Planning, and back to Commission. He would also recommend pursuing the MUSP, the most legally defendable in the State.

Commissioner Gross asked Jorge Gonzalez, City Manager, to include the Municipal Mobility Plan.

Commissioner Smith suggested sequencing construction activities as to not to disrupt people's lives. He suggested a rationing system, that once you start construction, no more construction can occur within a certain area within a certain period of time.

Commissioner Steinberg added that the MUSP is tight into getting the right fees. If the fees are adequate to offset some of the impacts, we should have those funds there, and not offer the developer extra rights in essence to do that. Asking a developer to give you something in order to get additional FAR or building rights could cause legal problems.

Jorge Gonzalez, City Manager, suggested having Administration go back and analyze what is the threshold. His recommendation is to the degree that it can be done, instead of a fee; the City have the developer get a project built or donate the land, for example, rather than concurrency.

Commissioner Smith stated that one of the issues he raised a number of years ago, is that the County imposes a parking impact fee on developers that build within unincorporated areas of Miami-Dade County; and they fund a lot of the parks that way; he understands that under the City's concurrency plan, there is a parking fee built into it, but the threshold is too high, and maybe the City can lower the threshold to start collecting moneys for projects in the City. Discussion continued.

Jorge Gonzalez, City Manager, explained that the Rationing System is one of the systems that most closely resemble the referendum question that was asked from voters in November, and the City is trying to address that straw ballot question in some way, but it is complicated and does then require the City to get an RFP or maybe Outside Planning and Legal Consultant help.

Commissioner Steinberg stated that the first question is if the Rationing System is legal under the statutory system before monies are spent on outside consultants. Discussion continued.

The City Commission was in consensus of directing the Administration to analyze and review zoning changes Package One and Two, have Legal Department review and look at the threshold project as part of the MUSP style review process.

Meeting adjourned at 6:57:17 p.m.

City of Miami Beach
Planning Department

Growth management workshop held

A. Staff presented three options

1. Package of Zoning Amendments
2. Major Use Special Project style review system (MUSP)
3. Rationing System

B. Administration recommended two of the three

1. Package of Zoning Amendments:

   Focus on the Package; take them to Planning, and back to Commission.

2. Major Use Special Project style review system (MUSP)

   Manager also recommend pursuing the MUSP

C. Commission directed to look at all three

1. Package of Zoning Amendments

   Proceed

2. Major Use Special Project style review system (MUSP)

   Research the possibility

3. Rationing System

   Legal Department to research the legality

Staff has prepared and reviewed a preliminary package of zoning amendments

Package of nine (9) amendments attached - More could follow

Zoning changes:

1. ○ Increasing minimum and average unit sizes
2. ○ Lot Coverage requirements
3. ○ Lot aggregation
4. ○ Modify FAR exemption for parking

Parking changes:

5. ○ Increase code required parking
6. ○ Require guest parking spaces
7. ○ Increase minimum size of parking spaces
8. ○ Eliminate a portion of the Fee in Lieu
9. ○ Increase the Fee in Lieu, add automatic escalator

Process would be to bring package of zoning amendments to:

Land Use Committee - September 12th or October 10th

Planning Board - October or November

Other Committees? - T & P for parking amendments?

City Commission - December 7th or January

Points to remember:

- Individual changes may be incremental, but cumulative effect.
- Should slow and/or limit the amount of new development.
- Least likely to be challenged, easiest to implement.
- Can be done citywide or by neighborhood; to be determined through review process.
- Each potential amendment should also be analyzed for effect on workforce housing.
  - Exemptions for workforce housing should be considered.

<u>*Increasing minimum and average unit sizes*</u> **carry through all multi-family and other districts*

Sec. 142-246. Development regulations and area requirements.

(a) The development regulations in the RM-3 residential multifamily, high intensity district are as follows:

(1) Max. FAR: Lot area equal to or less than 45,000 sq. ft.--2.25; Lot area greater than 45,000 sq. ft.--2.75; Oceanfront lots with lot area greater than 45,000 sq. ft.--3.0.

(2) Notwithstanding the above, oceanfront lots in architectural district shall have a maximum FAR of 2.0.

(3) Notwithstanding the above, lots which, as of the effective date of this ordinance (November 14, 1998), are oceanfront lots with a lot area greater than 100,000 sq.ft. with an existing building, shall have a maximum FAR of 3.0; however, additional FAR shall be available for the sole purpose of providing hotel amenities as follows: the lesser of 0.15 FAR or 20,000 sq.ft.

(b) The lot area, lot width, unit size and building height requirements for the RM-3 residential multifamily, high intensity district are as follows:

Minimum Lot Area (Square Feet)	Minimum Lot Width (Feet)	Minimum Unit Size (Square Feet)	Average Unit Size (Square Feet)	Maximum Building Height (Feet)	Maximum Number of Stories
7,000	50	New construction--~~550~~ <u>600</u> Rehabilitated buildings--400 Hotel unit: 15%: 300--335 85%: 335+	New construction--~~800~~ <u>850</u> Rehabilitated buildings--550 Hotel units--N/A	150 Oceanfront lots--200 Architectural dist.: New construction--120; ground floor additions (whether attached or detached) to existing structures on oceanfront lots--50 (except as provided in section 142-1161)	16 Oceanfront lots--22 Architectural dist: New construction--13; ground floor additions (whether attached or detached) to existing structures on oceanfront lots--5 (except as provided in section 142-1161)

Regulating maximum lot coverage ***carry through all multi-family and other districts***

Sec. 142-247. Setback requirements.

The setback requirements for the RM-3 residential multifamily, high intensity district are as follows:

	Front	Side, Interior	Side, Facing a Street	Rear
At-grade parking lot on the same lot	20 feet	5 feet, or 5% of lot width, whichever is greater	5 feet, or 5% of lot width, whichever is greater	Non-oceanfront lots--5 feet Oceanfront lots--50 feet from bulkhead line
Subterranean	20 feet	5 feet, or 5% of lot width, whichever is greater. (0 feet if lot width is 50 feet or less)	5 feet, or 5% of lot width, whichever is greater	Non-oceanfront lots--0 feet Oceanfront lots--50 feet from bulkhead line
Pedestal	20 feet Except lots A and 1--30 of the Amended Plat Indian Beach Corporation Subdivision and lots 231-237 of the Amended Plat of First Ocean Front Subdivision--50 feet	Sum of the side yards shall equal 16% of lot width Minimum--7.5 feet or 8% of lot width, whichever is greater	Sum of the side yards shall equal 16% of lot width Minimum--7.5 feet or 8% of lot width, whichever is greater	Non-oceanfront lots--10% of lot depth Oceanfront lots--20% of lot depth, 50 feet from the bulkhead line whichever is greater
Tower	20 feet + 1 foot for every 1 foot increase in height above 50 feet, to a maximum of 50 feet, then shall remain constant. Except lots A and 1--30 of the Amended Plat Indian Beach Corporation Subdivision and lots 231--237 of the Amended Plat of First Ocean Front Subdivision--50 feet	The required pedestal setback plus 0.10 of the height of the tower portion of the building. The total required setback shall not exceed 50 feet	Sum of the side yards shall equal 16% of the lot width Minimum--7.5 feet or 8% of lot width, whichever is greater	Non-oceanfront lots--15% of lot depth Oceanfront lots--25% of lot depth, 75 feet minimum from the bulkhead line whichever is greater

Notwithstanding the above setbacks, the maximum lot coverage for buildings in the RM-3 district is 60%.

200x450 = 90,000 s.f. 2 acres OBR site.
Front 20'
Rear 90'
Sides 16' x 2

168 x 340 = 57120 or 64%

50*115 = 5750 s.f typical n b lot

front 20'
Rear 11.5'
Sides 7.5' x 2

35 x 103.5 = 3,622 or 63%

Address lot aggregation issues

Sec. 142-155. Development regulations and area requirements.
(a) The development regulations in the RM-1 residential multifamily, low density district are as follows:

(1) Max. FAR: 1.25; west side of Collins Avenue between 76th and 79th Streets--1.4.

(2) Public and private institutions: Lot area equal to or less than 15,000 sq. ft.--1.25; lot area greater than 15,000 sq. ft.--1.4

(b) The following regulations regarding maximum developable lot shall apply:

(1) The maximum developable lot area shall be limited to no more than two contiguous lots joined along the side property lines.

(2) The maximum developable lot area shall not be achieved through the assembly of two contiguous lots assembled along the rear property line.

Development on greater than two contiguous lots joined along the side property lines shall require Conditional Use approval.

Sec. 142-216. Development regulations.
The development regulations in the RM-2 residential multifamily, medium intensity district are as follows:

(1) Max. FAR: 2.0.

(2) The following regulations regarding maximum developable lot shall apply:

(1) The maximum developable lot area shall be limited to no more than two contiguous lots joined along the side property lines.

(2) The maximum developable lot area shall not be achieved through the assembly of two contiguous lots assembled along the rear property line.

Development on greater than two contiguous lots joined along the side property lines shall require Conditional Use approval.

<u>Include some or all of required parking in FAR</u>

Sec. 114-1. Definitions.

The following words, terms and phrases when used in this subpart B, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Floor area means the sum of the gross horizontal areas of the floors of a building or buildings, measured from the exterior faces of exterior walls or from the exterior face of an architectural projection, from the centerline of walls separating two attached buildings. However, the floor area of a building shall not include the following unless otherwise provided for in these land development regulations.

(1) Accessory water tanks or cooling towers.

(2) Uncovered steps.

(3) Attic space, whether or not a floor actually has been laid, providing structural headroom of less than seven feet six inches.

(4) Terraces, breezeways, or open porches.

(5) Floor space used for required accessory off-street parking spaces <u>up to a height of twenty-five (25) feet above grade</u>. However, up to a maximum of two spaces per residential unit may be provided without being included in the calculation of the floor area ratio.

(6) Commercial parking garages and noncommercial parking garages when such structures are the main use on a site.

(7) Mechanical equipment rooms located above main roof deck.

(8) Exterior unenclosed private balconies.

(9) Floor area located below grade; however, if the ceiling is above grade, one-half of the floor area that is below grade shall be included in the floor area ratio calculation.

(10) Enclosed garbage rooms, enclosed within the building on the ground floor level.

Volumetric buildings, used for storage, where there are no interior floors, the floor area shall be calculated as if there was a floor for every eight feet of height.

Increase code required parking

Sec. 130-32. Off-street parking requirements for parking district no. 1.

Except as otherwise provided in these land development regulations, when any building or structure is erected or altered in parking district no. 1, accessory off-street parking spaces shall be provided for the building, structure or additional floor area as follows:

(6) Apartment building and apartment-hotel or hotel: 1½ spaces per unit for apartment buildings on lots that are 50 feet in width; otherwise 2 spaces per apartment unit.

* Approved by Planning Board; scheduled for City Commission in October.

Require guest parking spaces

Sec. 130-32. Off-street parking requirements for parking district no. 1.

Except as otherwise provided in these land development regulations, when any building or structure is erected or altered in parking district no. 1, accessory off-street parking spaces shall be provided for the building, structure or additional floor area as follows:

Apartment building and apartment-hotel: 1½ spaces per unit for apartment buildings on lots that are 50 feet in width; otherwise 2 spaces per apartment unit,

plus 10% of the required parking as designated guest parking for apartment buildings on lots wider than 50 feet .

* Approved by Planning Board; scheduled for City Commission in October.

Increase minimum size of parking spaces

Sec. 130-61. Off-street parking space dimensions.

With the exception of parking spaces that are permitted in sections 130-101, 130-251, and 130-281, a standard off-street parking space shall be an all-weather surfaced area, not in a street or alley, and having a width of not less than ~~eight and one-half~~ nine feet and a length of not less than 18 feet, or when located outdoors, 16 feet with two feet of pervious area overhang, in place of wheel stops and defined by continuous concrete curb, for a total length of 18 feet. The provision of having a two-foot pervious area overhang in standard parking spaces may be waived at the discretion of the planning and zoning director in those instances where said overhang is not practical. In no instance, however, shall the length of any standard off-street parking space be less than 18 feet, unless indicated in sections 130-101, 130-251, and 130-281 herein. A standard parallel parking space shall be an all-weather surfaced area, 21 feet in length and eight and one-half feet wide. The length required shall be measured on an axis parallel with the vehicle after it is parked. The width required is to be column-free clear space, except for those standard off-street parking spaces immediately adjacent to a structural column within an enclosed parking structure which may have a width of eight and one half feet. The required area is to be exclusive of a parking aisle or drive and permanently maintained for the temporary parking of one automobile. See section 130-251 for valet parking standards.

Minimum Parking Space size of other communities:

Coral Springs 9x18
Winter Park 9x18
Miami Shores 9x19
Aventura 9x18
Bay Harbor Islands 8.5x18
Bal Harbour 9x19
Miami 8.5x18
Fort Lauderdale 8.67x18

<u>*Eliminate a portion of the Fee in Lieu*</u>

PARKING IMPACT FEE PROGRAM*

Sec. 130-131. Generally.

A parking impact fee may be paid to the city in lieu of providing required parking on-site, or within 1,200 feet of the site in the architectural district or otherwise within 500 feet of the site, only in the following instances, except that parking requirements for accessory commercial uses in newly constructed buildings within the Collins Waterfront Historic District in an area in the RM-2 zoning district that is bounded by 41st Street on the south and 44th Street on the north shall be satisfied by providing the required parking spaces, and may not be satisfied by paying a fee in lieu of providing parking:

(1) New construction of commercial or residential development and commercial or residential additions to existing buildings whether attached or detached from the main structure within the architectural district or a local historic district <u>may satisfy up to one-half (1/2) of the required parking by payment in lieu of parking</u>.

(2) When an alteration or rehabilitation within an existing structure results in an increased parking requirement pursuant to subsection 130-132(b).

(3) New construction of 1,000 square feet or less, or additions of 1,000 square feet or less to existing buildings whether attached or detached from the main structure may fully satisfy the parking requirement by participation in the parking impact fee program pursuant to subsection 130-132(a).

(4) The creation or expansion of an outdoor cafe (except for those which are an accessory use to buildings described in subsection 130-31(b)).

(Ord. No. 89-2665, § 7-7, eff. 10-1-89; Ord. No. 93-2882, eff. 10-1-93; Ord. No. 98-3108, § 8(A), 1-21-98; Ord. No. 2004-3434, § 2, 1-14-04)

Increase the Fee in Lieu

PARKING IMPACT FEE PROGRAM*

Sec. 130-132. Fee calculation.

- *New construction.* The impact fee for new construction shall be satisfied by a one-time payment at the time of issuance of a building permit ~~$15,000.00~~ ***fee to be determined based on recent project data*** per parking space. The amount of such fee may be changed in accordance with subsection (d) of this section.

- Add an automatic escalator clause, based upon construction ***and land*** costs.

MUSP plan and / or Rationing plan

Major Use Special Project style review system (MUSP)

Seems to resemble an impact fee system; although the Manager also recommended to receive payments in kind rather than in fees.

Must be studied to see if that kind of impact fee is legal; especially given the legislature's recent focus on Impact Fees.

Before monies are spent on outside consultants, what must be determined?
Legality.

We do not have currency, other that phasing building permits.
Commission: focus on true costs of impacts, not on bonuses or extra rights.

Could implement with Conditional Use type process for projects over threshold.

Include Municipal Mobility Plan, Parks impact fees.

Address construction impacts / sequencing phasing projects.

Traffic Congestion / Choke Points / Master Plan

Top two impact fee consultants:

Duncan Associates
13276 Research Boulevard, Suite 208
Austin, TX 78750
512.258.7347
Fax 512.258.9994
firm@duncanplan.com
www.duncanplan.com

TischlerBise
4701 Sangamore Road N210
Bethesda, MD 20816
(800) 424-4318 Ext. 11
FAX: (301) 320-4860
info@tischlerbise.com
www.tischlerbise.com

Rationing System

Requires City Attorney to do further research and give opinion.

Points to remember:

While the rationing system is the system that most closely resembles the referendum question that was asked of voters in November, it raises the most questions in terms of Burt J. Harris and other takings / legal issues.

May require the City to get an RFP or Outside Planning and Legal Consultant.

Open to challenges from Tallahassee.

ICMA

Dear Reader:

We are pleased to present this excerpt from the ICMA Report. The ICMA IQ Reports are published monthly by the Management Information Service, International City Management Association, 777 North Capital Street NE, Suite 500, Washington, D.C. 20002.

TA is a fiscal, economic and planning consulting firm specializing in:

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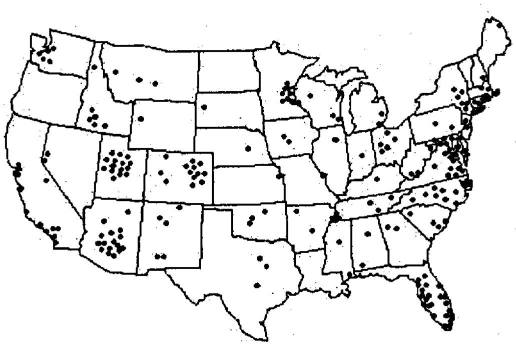
As illustrated in the map below, TA has worked throughout the country conducting the types of analyses and performing the various services listed above.



Please call TA at 800-424-4318, visit our website at www.tischlerassociates.com or email us at TAFiscal@tischler associates.com to obtain further information or to discuss TA's fiscal impact evaluations, impact fee, and other consulting services.

ANALYZING THE FISCAL IMPACT OF DEVELOPMENT

By Paul S. Tischler

Most states require local governments to prepare a balanced budget on an annual basis. However, most states do not require that jurisdictions conduct fiscal impact evaluations to help ensure that local officials understand the short- and long-term fiscal effects of land-use and development policies and of new developments that are approved. A fiscal impact analysis clarifies the financial effects of such policies and practices by projecting net cash flow to the public sector resulting from residential and nonresidential development. Such an analysis can enable local governments to address a number of short- and long-term planning, budget, and finance issues.

This report discusses the benefits of fiscal impact analysis and reviews common methodologies used to collect and analyze information. Five case studies are provided to illustrate how fiscal impact analysis can be used in different situations. The report concludes by recommending an approach for conducting fiscal impact evaluations.

Analyzing the Fiscal Impact of Development

Paul S. Tischler, president of Tischler & Associates, Inc., authored this report. Tischler & Associates, Inc. is a Bethesda, Maryland consulting firm specializing in fiscal impact and related economic analysis, capital programming, and revenue strategies. Mr. Tischler has a B.A. in economics and an M.B.A. in real estate and urban development. He lectures and writes on fiscal impact analysis and related topics.

DEFINING FISCAL IMPACT ANALYSIS

A fiscal impact analysis projects the net cash flow to the public sector (the local government and, in many cases, the school district) resulting from new development – residential, commercial, industrial, or other. It is similar to the cash flow analysis a developer conducts in order to project costs and revenues likely to result from a proposed development for two to ten years in the future.

A fiscal impact analysis projects the net cash flow to the public sector

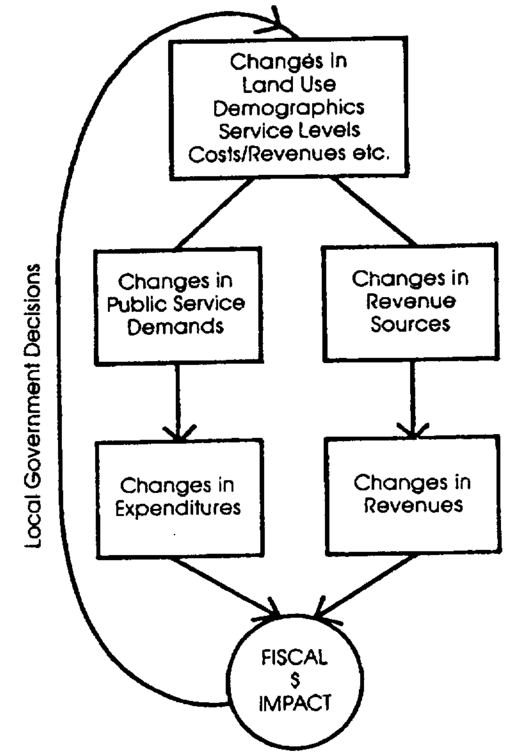
The dynamics of fiscal impact are shown in Exhibit 1. In evaluating the costs associated with providing the acceptable levels of service, the local government should consider existing unused capacities of public services and programs, especially of capital facilities. The new development, or new demand, will be expressed in terms of changes in population, employment, or land use projected to result from the scenarios being evaluated.

Since a fiscal analysis will indicate whether and when a jurisdiction could face deficit budgets, the local government is able to weigh land-use policy decisions, acceptable levels of service, plans for capital investments, and long-term borrowing needs. In addition, a projected fiscal deficit can prompt local officials to evaluate current and future revenue sources. Even if a fiscal evaluation indicates a surplus, the local government may wish to change its use of revenue sources to fund infrastructure replacement or higher levels of service.

The goal...is to forecast all relevant operating expenses, capital costs, and revenues

Fiscal impact analysis identifies the increases in annual and cumulative expenses for all services that will result from new development. This includes annual operating expenses (including new staff needed per year) and capital expenses associated with constructing or expanding facilities. The fiscal impact statement can also summarize the jurisdiction's bonded debt; its bonding capacity as a percentage of the increase in the tax base; the increase in the tax base; and the fiscal surplus or deficit when general revenues are applied against the net of all special revenues and expenses associated with the development.

EXHIBIT 1 - The dynamics of fiscal impact.



Source: Tischler & Associates, Inc.

APPLICATIONS FOR FISCAL IMPACT ANALYSIS

Fiscal impact analysis is helpful in short- and long-range land-use policy planning and finance planning. Its applications for decision-making are discussed below.

Planning Issues

A fiscal impact evaluation can be used as an effective planning tool. Many local governments view the planning process as monitoring and enforcing land-use decisions and regulations, and pay too little attention to long-range planning issues, including whether future growth will be affordable. The six applications below indicate how fiscal analysis can be an effective policy tool for long-range planning.

Land-use policies. Should a jurisdiction encourage higher density land use or allow an overlay district in a certain subarea? Do its current land-use policies make sense? If costs, as well as other factors, are to be considered, then a fiscal impact evaluation will help in the decision-making process.

Demographic-economic changes. Many elected and appointed local government officials can tell interested parties how they think their community will look in ten or twenty years in terms of population, housing, and employment. But very few can say what the fiscal impact will be –whether service levels will remain the same or deteriorate under pressure from a growing population. Similarly, when making changes to land-use regulations, few jurisdictions evaluate alternative development policies from a fiscal perspective. Evaluating development alternatives is a valuable use of fiscal impact analysis.

Rezonings. A rezoning changes the density or type of use for a parcel; it may also be a signal of a change in development policy. Too often, significant rezoning cases are not sufficiently evaluated from a fiscal perspective. Fiscal analysis can be helpful in local government-developer negotiations.

Annexation. An area that may be annexed usually has some existing public services. One of the uses of fiscal impact analysis is to ascertain the cost of improving the services in the area proposed for annexation in order to make them comparable to the annexing jurisdiction's level of service. The analysis can calculate whether there will be an annual financial surplus or deficit from the proposed annexation during each year of the forecast period.

Infrastructure planning. One of the by-products of a good fiscal analysis is the forecast of infrastructure needs to meet anticipated changes in a community. Any change in land use, population, or employment will have an impact on a number of capital-intensive services, including streets and utilities.

> **A fiscal impact analysis helps identify the economic development strategy that makes the most fiscal sense.**

Leveraging public dollars. Local officials considering how to promote economic growth often face the question of how to invest limited funds so as to maximize the return. Fiscal evaluations can help them make their investments wisely. For example, different economic development strategies can be evaluated for their impacts on land use. Land use in turn affects services, costs, and revenues. A fiscal impact analysis helps identify the economic development strategy that makes the most fiscal sense. If a local government has $2.5 million for economic development programs and wants to decide whether to allocate it among several commercial districts within the community, a fiscal impact analysis can provide useful information on the potential financial effects.

Finance Issues

There are a number of ways in which fiscal impact evaluations can address budget and finance questions. As noted earlier, a fiscal impact analysis focuses on change, generally over a two- to ten-year period. Although the accuracy of the projections diminishes over time, the analysis can help to raise budget and finance policy issues and suggest alternative approaches for addressing them. Some of the issues are discussed below.

Capital improvement programming. Capital improvement planning takes on an extra dimension with the use of fiscal analysis, which enables a local government to forecast the need for additional capital facilities given projected increases in population or employment. Individual departments seldom incorporate market forces or land-use plans into their CIP requests. A fiscal analysis that looks at subareas of the community can help address this issue.

Fiscal analysis also clarifies the timing of infrastructure improvements. By incorporating future demographic and economic projections, the fiscal analysis will indicate the demand for capital facilities in the near as well as the longer term. One community discovered through fiscal impact analysis that the amount of park land included in its CIP was insufficient to provide the desired level of service even for existing development.

This approach can also be used to calculate the cost and timing for replacing existing infrastructure. Infrastructure replacement costs are one of the biggest fiscal problems facing many local governments. An inventory of existing capital facilities and their related future costs can be obtained by estimating the remaining useful life of each facility and its replacement or rehabilitation cost.

Revenue forecasting. For purposes of this discussion, a revenue forecast defines the projected change in revenues (assuming existing rates) due to land-use or demographic changes in the community. The revenue forecast is one of the results of a fiscal evaluation.

Fiscal planning. Fiscal planning is different from budget planning because fiscal planning focuses on change and uses a two- to ten-year time frame. Fiscal planning provides a long-term perspective on the costs and revenues associated with each department and activity of a local government, offering local officials the opportunity to reconsider plans and policies.

Budget projections. Fiscal impact analysis results in both short- and long-range budget projections for each department in the local government. For example, an increase in the intensity of land use will generate a higher level of demand for police services. The analysis offers a budget projection for the police department, based on these changes and assuming specified service levels, over the forecast period. Local officials can look at this information for alternative levels of service, and project the effects of those alternatives on the budget.

Level of service changes. A growing number of local governments are finding it useful to focus on policy discussions on the basic levels of public services that citizens want and are willing to pay for. The increasing use of impact fees and user fees also makes it important to clearly identify a level of service standard, so that appropriate fees can be set and collected.

What is the cost of providing different levels of service?

Quantifying existing levels of service and the costs of different service levels can help lead to more constructive discussions, since all parties will understand the fiscal consequences of changing the level of service.

Cost and revenue changes. A fiscal analysis will allow the local government to vary any number of cost and revenue assumptions. Police cars, utility plant additions, salaries and fringe benefits are just some of the items that can be reviewed for their financial impact at various rates. In a similar fashion, revenue rates and sources can be reviewed. Using a fiscal impact analysis computer model makes changes in assumptions easy to consider.

BENEFITS OF A FISCAL IMPACT ANALYSIS

Fiscal impact analysis has many benefits, whether it is used for budgeting or for land-use or capital or financial planning. *(See the full MIS Report for the narrative)*

METHODOLOGIES

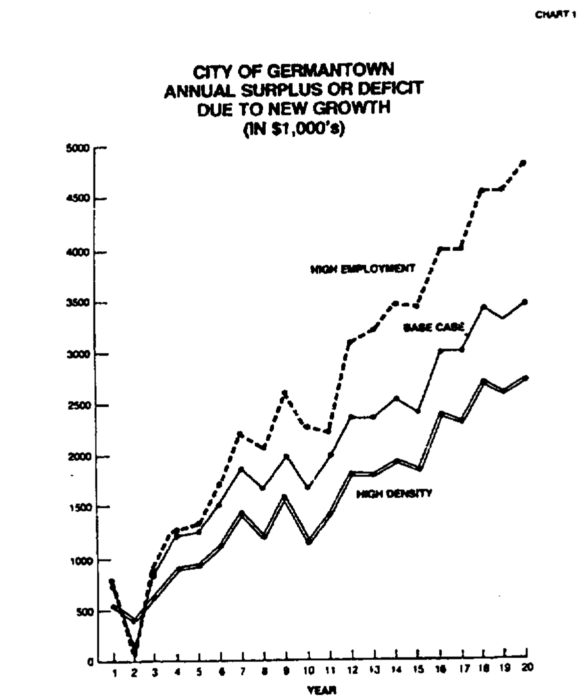
There are two basic approaches to fiscal evaluations: using average costs and using marginal costs. Average cost approaches are simpler and more popular – costs and revenues are calculated based on the average cost per unit of service times the demand for that unit. Average cost approaches assume a linear relationship and do not consider excess or deficient capacity of facilities or services over time. A per capita relationship is an example of an average cost approach.

Marginal cost approaches describe the unique characteristics of a jurisdiction's capital facilities. Although over the long term, average and marginal cost techniques will produce similar results, the real value of fiscal analysis is in the two- to ten-year time period. Marginal cost analysis is most useful in this time frame.

Selecting a Methodology

To get the most accurate information from a fiscal impact analysis, most local governments find the case study approach preferable. Although comparisons to regional and national standards can be helpful, each community is unique. It has its own levels of services, geographic service boundaries, cost and revenue factors, and available capacity of existing capital facilities. Given the potential benefits of fiscal impact analysis, it is worth the time and effort to use the case study approach. Where data is not readily available or where it is difficult to define the service level relationship

EXHIBIT 2 – Impact of new growth under three alternatives.



Source: Tischler & Associates, Inc.

on a true marginal basis, it makes sense to use the per capita average cost approach to supplement departmental estimates. The local government may wish to refine the data using marginal cost data if and when more detailed information becomes available.

CASE STUDIES

This section discusses five case studies that illustrate different applications of fiscal analysis. The first three case studies look at different land-use or growth alternatives and revenue strategies. The last two cases discuss economic development alternatives and capital improvement programs. *(See the MIS Report for a full discussion)*

Germantown, Tennessee – Evaluation of Land-Use Alternatives

Germantown (population 32,000), a suburb of Memphis, decided to review the fiscal impact of future land-use alternatives. As in any jurisdiction, one logical alternative was the continuation of present trends: an emphasis on low-density single-family housing with enough commercial activity to provide services to residents. Germantown officials were also considering two other alternatives: one was to encourage nonresidential, light-industrial and office uses; the other was to increase the density of residential development. The fiscal impact analysis focused on marginal costs and revenues based on local data factors –the case study approach was used wherever possible. Exhibit 2 indicates that all three alternatives would have positive financial results for the city.

The study confirmed that the current land-use alternative emphasizing low-density single-family housing will enable Germantown to remain in a positive fiscal posture for the foreseeable future. The projected cumulative surplus of $41 million is about 77 percent of the surplus that might be generated by the high employment scenario. Elected officials have found that the fiscal impact analysis has given them a more specific baseline against which to measure requests proposed by developers. The mayor and aldermen now are able to ask whether a proposal would have an economic impact over and above that projected based on the future land-use plan.

Germantown purchased a tailored software system for future fiscal evaluations. As quoted in the *Germantown News*, the administrator said, "We now have a tool. We can use this study to calculate what it will cost, both in the short and long term, to maintain and develop the city in various ways." The city has continued to use the program for three primary purposes: reviewing annexation questions, evaluating the impact of proposed large developments (both shopping centers and residential), and capital improvements planning.

Germantown has an annual annexation process through which it looks at the costs and revenues that would result from additional annexation. Faced with high growth pressures, the city has found the fiscal impact analysis software program worthwhile in helping the planning commission and the board of mayor and aldermen review the fiscal effects of new growth.

In the capital improvements planning process, Germantown uses the fiscal impact analysis program in planning for future fire and police service needs. Germantown has a five-year capital improvements program, and uses the fiscal impact analysis information for background in scoping out budget proposals and related capital improvements requests by departments.

Overall, fiscal impact analysis enables Germantown to maintain its land-use policies and understand and articulate the assumptions on which they are based and their fiscal ramifications.

Venice, Florida – Developing Strategies to Serve Future Growth

The city of Venice, Florida has a permanent population of about 15,000 and a seasonal population of 19,000. Located in Sarasota County on the booming Gulf Coast, Venice is experiencing growth pressures. Developers in the county are requesting annexation, in large part because the city can provide better services to future residents than can the county.

Venice decided to address several items in its 1987 fiscal impact analysis. It wanted to evaluate two growth alternatives, develop a capital improvement program that would identify existing facility deficiencies and project facility needs due to growth, and create a revenue development strategy.

The first alternative assumed growth would continue to the year 2000 as projected in the comprehensive plan. The second alternative assumed that additional growth would result from annexation of an area to the north and east of the existing city limits.

City department heads and the consultant agreed on service level, cost, and revenue factors, and these were used in the fiscal evaluation of the two alternatives. The fiscal evaluation forecast the need for new capital facilities to serve growth resulting from annexation.

Florida state law requires that local governments provide a five-year projection of facilities to serve new development. Consequently, these new facilities were incorporated into a preliminary Capital Improvement Element (CIE) for Venice. According to the state law, the CIE must also describe existing deficiencies in capital facilities to serve the present population and the direct operating expenses of those facilities, and discuss the revenue sources the local government intends to use to pay for the needed capital facilities. This last requirement was part of the reason Venice decided to develop a revenue strategy as part of its fiscal impact analysis.

The cumulative results of Venice's study indicated a fiscal surplus under both alternatives. An important reason for this was that the basic road network and schools are provided not by Venice but by Sarasota County. The alternative based on the comprehensive plan was slightly more beneficial from a fiscal perspective primarily because annexation would require that additional capital facilities be built within a few years of the annexation.

> **...the fiscal impact analysis has helped the elected officials express their vision for the future....**

Raleigh, North Carolina – Analyzing Economic Development Impacts

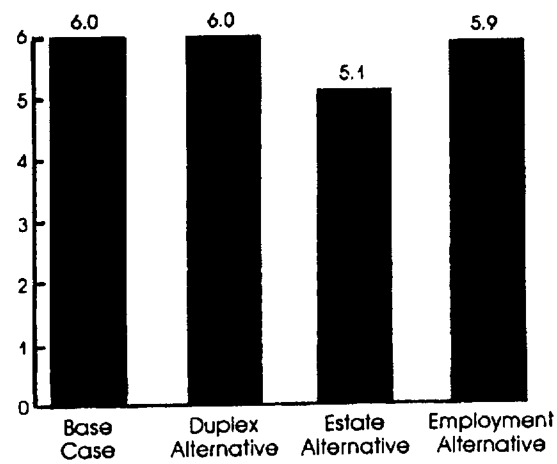
Evaluating subareas of a community is a valuable approach for fiscal impact analysis since, as in the case of southeast Raleigh, existing capital facility capacities can be specified and revenue strategies can be targeted. *(See the MIS Report for a full discussion)*

Plymouth, Minnesota – Analyzing Land-Use Alternatives and Costs for a Capital Facility Replacement Program

Plymouth is a Minneapolis suburb with a population of about 45,000. In 1984, a cost revenue subcommittee composed of private sector representatives requested that the city conduct a fiscal analysis of the impact of land-use plan alternatives. Four alternatives were evaluated: the existing land-use plan (the base case); a duplex or high-density residential alternative; an estate or low-density residential alternative; and a research and development, or employment, alternative. All four scenarios project an increase in the city's population of 16,300 over 15 years. The findings indicated that the base case was as fiscally beneficial as the other alternatives (Exhibit 3).

Once the city selected the base case as the alternative to pursue, the software program used by the City calculated the costs of a capital facility replacement program. Plymouth used the software to compile and analyze data on all capital facilities, including each item's projected remaining life and estimated replacement cost. The capital facilities needed to serve new growth added to the projected infrastructure replacement costs equaled the total dollars needed to continue to provide the citizens with service at existing levels.

EXHIBIT 3 - Surplus to Plymouth general fund due to growth between 1985 and 2000 (in millions of constant dollars).



Source: Tischler & Associates, Inc.

The city uses the fiscal analysis as a guide for budget forecasting, particularly for personnel projects by divisions within departments. The city has found it helpful in fostering discussions about the assumptions underlying the numbers in the budget and, to a lesser extent, the capital facility replacement program. City Manager Jim Willis estimates that 10 to 15 percent of the assumptions have been changed since Plymouth began using fiscal impact analysis. These changes reflect the evolution of needs and the gathering of new information since the program began to be used. Willis commented that a key to using fiscal impact analysis effectively is to understand your own operations and what needs to be measured. It is important to understand the full range of tasks for which people are responsible, so that levels of service can be estimated accurately.

USING FISCAL IMPACT ANALYSIS

This section discusses steps a local government can take in conducting a fiscal impact analysis and planning a revenue strategy based on its findings. There are many possible approaches but this section highlights the most important steps in the process *(See MIS Report for narrative)*

CONCLUSION

In summary, virtually all applications for fiscal impact analysis assist a jurisdiction in addressing financial management and planning issues. Whether the product is an evaluation of a change in level of service, a forecast of capital facilities to be replaced or added, or a picture of upcoming budget changes due to new development, fiscal impact analysis can be adopted as a regular procedure to improve management decisions.

A reprint from: ICMA Report "Analyzing the Fiscal Impact of Development"

Land Development
THE NATIONAL ASSOCIATION OF HOME BUILDERS

Dear Reader:

This article is from the National Association of Home Builders quarterly magazine, *Land Development.* Tischler & Associates, Inc., (TA) is a fiscal, economic, and planning consulting firm specializing in fiscal impact analysis, impact fees and revenue strategies. Our other major services are market feasibility studies, economic development analysis, capital improvement programming, and growth policy planning.

TA has prepared over 500 impact fees for the following services:

- Schools
- Roads
- Water
- Wastewater
- Stormwater
- Parks and Recreation
- Open Space and Trails
- Police
- Fire
- Municipal Facilities and Equipment
- Libraries
- Transit

TA's impact fee studies include those for clients in the following states:

- Arizona
- Arkansas
- California
- Colorado
- Georgia
- Idaho
- Iowa
- Florida
- Maryland
- Massachusetts
- Mississippi
- Montana
- New Mexico
- New York
- North Carolina
- Ohio
- Pennsylvania
- Rhode Island
- South Carolina
- South Dakota
- Utah
- Virginia
- West Virginia
- Wisconsin

Our private sector impact fee clients include: Home Builders Associations; NAIOP Chapters; Private Developers; Senior Housing Corporations; and others.

Not one of 500+ public sector impact fees prepared by TA has been challenged. However, when TA has critiqued impact fees for the private sector, the fees have been reduced or eliminated. We think our experience with the public and private sector is invaluable.

Please call TA at 800/424-4318 to obtain further information or to discuss TA's impact fee consulting services, including our impact fee feasibility analysis, as well as full fiscal impact evaluations.

IMPACT FEES— UNDERSTAND THEM OR BE SORRY

by Paul S. Tischler

Anyone who has developed land in the last 10 to 15 years knows that the popularity of impact fees as a local government revenue source has skyrocketed. The three major reasons for the proliferation of fees are state and local limitations on tax hikes; federal, state and local mandates increasing costs without a concomitant increase in accompanying revenues; and perhaps most importantly, the great reluctance of elected officials to raise taxes. Impact fees are especially appealing because they are usually passed onto future (absentee) voters. Therefore, it is imperative that developers understand fees or risk becoming the victim of either their illegal use or the improper calculation of fee amounts. This article provides some examples of illegal fees, discusses caveats pertaining to the calculation and use of impact fees, and offers a set of recommendations for ensuring the equitable application of fees.

> **Development impact fees are growing increasingly attractive to local governments. Developers need to understand impact fees if they are to spot illegal uses and improper calculation of the fees.**

Illegal Impact Fees

Hundreds of today's impact fees are probably illegal; yet, for two major reasons, the fees remain largely unchallenged. First, the fee amounts are noticeably small and thus are not particularly burdensome. Second, developers and builders are fearful of delaying development by bringing a legal challenge against a fee. One of the more blatant examples of an illegal fee is the fee for public art in a California jurisdiction. The impact fee, calculated only against nonresidential space, pays for art exhibited in such public spaces as museums. Rationally speaking, such a fee – if it is to be imposed at all – should

(continued on next page)

probably be assessed against residential units. After all, it is residents who generally find the time to visit museums after work or on weekends.

Less subtle and unsupportable examples of illegal fees include the imposition of police and fire fees against housing, but not against nonresidential development. (Impact fees should not discriminate by type of land use.) Or how about the calculation of a park impact fee based on desired levels of service rather than on lower, existing levels of service? Another example pertains to school impact fees for a geographic area that will not generate the need for any increase in school facilities in the foreseeable future. Also likely to be illegal is the application of hypothetical future student generation rates, which are considerably higher than the actual rates experienced by the jurisdiction. Flaws in the methodology of calculating fees or inaccurate data assumptions can result in hundreds or, in some cases, thousands of dollars per house in unsubstantiated fees.

Monitor the Process

Increasingly, state law requires fee-imposing jurisdictions to include representatives of the private sector on fee review or liaison committees. This is certainly an important step in making sure that private as well as public sector interests are accorded the opportunity to participate in the review process. Often, however, the few private sector representatives are as overwhelmed as the other committee members by pages and pages of text, reams of data, and maybe even undecipherable tables. Consequently, the committee, including its private sector representatives, simply takes the path of least resistance and agrees to a consultant's methodology, data and technical recommendations.

Given that the actions of the committee automatically vest the fees with a measure of credibility, it is imperative that all interested parties monitor the impact fee process. If local builders defer their involvement until fee amounts are determined, they will be faced with an uphill struggle to amend the impact fee report and its recommendations – especially if the other members of the committee and the larger public have already "bought into" the methodology and its data assumptions.

Even though impact fees raise several questions regarding their technical aspects, they also point to several caveats that are particularly germane and understandable to the interested party. A few of these are discussed below.

1 Recognize that impact fees pertain only to new capital facilities that directly benefit the payer. Many observers still believe that impact fees can be used for capital facilities that benefit existing residents. In fact, impact fees, are assessed and collected to fund only those capital facilities whose need is generated by new development. Further, expenditure based on impact fee collections must demonstrate a direct benefit to those paying the fees. Under many statutes, an existing facility is eligible for impact fee financing if it was deliberately oversized to accommodate new development.

Knowledgeable and willing homebuilders must participate in and evaluate all of the relevant information related to the impact fee determination process.

2 Be aware that the impact fees collected must be spent within a reasonable time period. A mandated or general rule-of-thumb holds that about six years is a reasonable period in which to expend fees, although 10 years may suffice. In most cases, the jurisdiction must operate on the good faith assumption that the money will be spent for a specific facility or facility type within the mandated period. The time limitations encourage or require the preparation of capital improvement plans.

3 Educate the electorate on what impact fees do and do not accomplish. As already noted, fees fund only those capital facilities necessitated by new development. Fee collections cannot be allocated to rehabilitation, retrofitting, or replacement of existing capital facilities. The greater cash cow of operating expenses, not covered by impact fees, must be explained to the electorate. Otherwise, the public will wrongly expect that impact fees can solve the full range of local fiscal problems.

4 Make certain that fees are assessed only to maintain current levels, versus future levels, of service – unless a jurisdiction has adopted a plan to address existing deficiencies and is actually implementing this plan. Some communities and their consultants tend to use a level of service that is not met elsewhere in the jurisdiction. It is illegal to extract from new development fees to pay for a higher level of service unless the jurisdiction is using other funds to bring other parts of the jurisdiction up to this same level of service.

5 Do not rely solely on the jurisdiction's assumptions; instead, obtain your own background information. Various local government departments may not be familiar with the requirements of impact fees and are therefore unlikely to understand clearly the difference between adopted and existing levels of service, the relationship between service delivery areas and existing and new capital facilities, and several other issues. If the builders ask local jurisdictions the right questions, they should also be able to extract the needed information.

Some of the questions to ask are: What is the basis for the land use projections? How were service areas ascertained to meet the rational nexus requirements? How were levels of service and cost factors determined? How have credits for other payments been considered?

6 Analyze the capital improvement budget. Potential impact fee revenues need to be related to the capital improvement budget or capital improvement plan. That is, there should be capital projects in the plan that can legitimately use impact fees. It is important for builders to become familiar with this budget and its validity over both the short and long terms.

7 Be familiar with the likely geographic service areas in order to evaluate the rational nexus requirement. In summary, rational nexus requires a reasonable relationship between the need for the capital facility and the use of impact fees directly benefiting those paying. To show a direct benefit to the development paying the impact fee, jurisdictions tend to describe larger service areas than may be appropriate.

8 Can a jurisdiction provide the needed capital facilities? The recommended impact fees should demonstrate some relationship to what the jurisdiction is capable of providing (i.e. Has the jurisdiction been spending much money on this category in the capital improvement budget?). Whether due to time lag, backlog of existing facilities, debt ratios, or political constraints, the effort that goes into setting an impact fee will be diminished if the jurisdiction cannot provide the needed capital facilities in a timely fashion (assuming that the impact fee does not pay 100 percent of the new cost).

9 Understand the importance of granting credits. Under the provisions of some state statutes, the future tax payments of a house or nonresidential property that are used to cover the debt service of a particular capital facility need to be credited against the impact amount on a discounted basis. Even in states that do not require granting credits, the "spirit" of impact fees is to avoid double payments.

Reality Testing

As already mentioned, impact fees are popular because elected officials perceive them as a free revenue source not paid by current constituents. As a practical matter, several of the flawed impact fee methodologies gained acceptance because the fee amount ultimately proved to be much lower than the amount discussed in the impact fee report. Of course, in some jurisdictions, lower fees are subject to annual increases.

It is important that the community imposing an impact fee is experiencing significant growth. If not, the jurisdiction will be unable to generate enough revenues to make the impact fee process worthwhile. Impact fees incur a set of administrative costs and, in most cases, are legally required to be segregated from the general fund by type of account, type of activity, and geographic subarea (where appropriate).

For home builders, two nontechnical points are worth noting. First, several of the homebuyers assessed impact fee payments are already residents within a given jurisdiction. In some jurisdictions, over 50 percent of purchasers are trade-up buyers and therefore have been paying for capital facilities through the property tax from the time they started residing in the community. Elected officials should be aware of this conundrum.

In some cases, those preparing the fees hide behind "sophisticated" models and use them as an excuse not to explain the methodology and the supporting data.

Second, impact fees give rise to an "intergenerational equity" issue. Many of us and almost all of our parents lived in a community where the capital facilities were paid as part of the regular tax burden. The increasing reliance on impact fees and other exactions means that households moving into a community must now buy into the capital facilities with a one-time fee.

Steps to Take

From the outset, a private sector advisory group should be convened to participate in the impact fee review process and to ensure that private interests present their concerns as a unified front. Experience suggests that such groups allow for more rational input into the fee determination process, help avoid methodological flaws in setting the fee, and ensure the application of relevant data. All members of the advisory committee should be able to understand the data used to justify the fee. "Garbage in" will produce "garbage out" and will generally lead to unjustifiably higher impact fees.

Paul S. Tischler is a principal of Tischler & Associates, Inc., (TA) a fiscal, economic and planning consulting firm with offices in Bethesda, Maryland, and Pasadena, California. The firm has prepared over 500 impact fees for communities around the country. None of the public sector fees have been challenged. In representing the private sector, TA has succeeded in reducing impact fee amounts or, in one instance, eliminating a fee altogether.

Note: Please let us know if you would like to receive a copy of "20 Points To Know About Impact Fees", a reprint from *Planning* magazine.

REPRINT "IMPACT FEES—UNDERSTAND THEM OR BE SORRY"

TischlerBise

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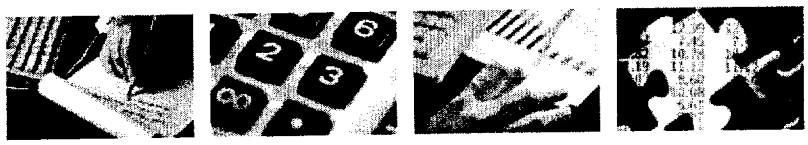
Exciting changes....

TischlerBise, formerly Tischler & Associates Inc., is a fiscal, economic and planning consulting firm located in Bethesda, Maryland, with a branch office in Pasadena, California.

Our name change is the result of the elevation of Carson Bise to partner at the firm. This new partnership will ensure that TischlerBise will continue to offer our clients the exceptional consulting services that have defined the firm for more than 25 years.



Did you know that TischlerBise has prepared more impact fees (over 500) and fiscal impact analyses (over 400) than any firm in the country? This is due in large part to our excellent staff, detailed approach, proven methodology and comprehensive work products.

We offer the following professional services to public and private sector clients, including:

- Fiscal Impact Analyses
- Impact Fees
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COST OF GROWTH SERVICES

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Professional Services

Impact Fees

Impact fees are new fair share of necess capital facilities.

TischlerBise has calculated over 500 impact fees/excise taxes throughout the United States and Canada, more than any firm. None of the firm's impact fees have been successfully challenged. Whenever the firm has been retained by the private sector to critique public sector fees, the fee has always been reduced or eliminated. This public and private sector experience is very beneficial, as it enables us to approach each project with a comprehensive understanding of various perspectives.

Capital facilities for which TischlerBise has calculated impact fees for include: sewer, water, schools, roads, law enforcement, fire protection, parks, public buildings, stormwater facilities, municipal power and libraries. Download a PDF to view a partial listing of our clients.

No. 47

TischlerBise Fiscal & Economic
NEWSLETTER

We Are Now TischlerBise

You may have noticed from the new masthead to this newsletter that Tischler & Associates, Inc. is now TischlerBise. The change marks the elevation of Carson Bise to partner at the firm. Over Carson's long tenure with the firm, he has performed scores of studies pertaining to the firm's core businesses: fiscal, economic and planning consulting services. Carson's new partnership role will ensure that TischlerBise will continue to offer our clients the exceptional consulting services that have defined the firm for more than 25 years.

Denver Suburb Implements Fiscal Model

TischlerBise was retained by the City of Westminster, Colorado to design and implement a fiscal impact model, using a two-

The city wishes to know the fiscal impacts of buildout

phase approach. In Phase I, a beta version using the Parks, Recreation and Libraries

(See **WESTMINSTER**, *p. 2)*

Development Impact Model Designed for Fast Growing Virginia County

TischlerBise was retained by the Winchester-Frederick County Economic Development Commission to design and implement a development impact model for use by Frederick County, Virginia. The Winchester-Frederick County Economic Development Commission wished to understand the fiscal impacts to the County of proposed development projects as well as countywide growth scenarios.

The model evaluates specific projects as well as growth scenarios

The fiscal model designed for the County includes a projection of the demands for service (possibly under different levels of service), as well as the impact on revenues and operating and capital expenditures. In addition, the structure of the fiscal impact model allows for future expansion and/or incorporation of additional modules (i.e., economic impacts).

Model Flexibility

The Frederick County Development Impact Model was developed using Microsoft Excel and Visual Basic. The result is a powerful and flexible application that allows the user to decide the level of detail, as well as sophistication, reflected in the model. As the County grows and changes, levels of service, cost data, funding terms and other

(See **FREDERICK COUNTY**, *p. 4)*

Concurrency Model Prepared

Carroll County, Maryland, impacted by growth from both Baltimore and Washington, contracted with TischlerBise to provide a software application to assess the impacts of new residential development projects on the capacity of the County's infrastructure (water, sewer, schools, police, fire, and roads) as measured by the County's Adequate Public Facilities Ordinance (APFO).

(See **CARROLL COUNTY**, *p. 2)*

IN THIS ISSUE

Fiscal Impact Models

This newsletter focuses on three recent fiscal impact applications developed for individual clients and their unique specifications. A fiscal impact model provides an effective means to integrate budget and finance concerns with land use planning decisions.

The overwhelming majority of local governments do not conduct fiscal impact evaluations and do not understand the short- and long-term fiscal effects of land use and development policies.

The firm's fiscal applications are the most successful, comprehensive and widely used in the country. One reason is that we design our fiscal applications only after the appropriate methodologies, levels of service, and cost/revenue factors have been agreed upon by both the client and the firm.

Each jurisdiction's individualized model answers their unique cost of growth questions

This newsletter focuses on three recent fiscal models developed by the firm. The Frederick County, VA model calculates the impact of various land use decisions. The Westminster, CO application assists the City in understanding not only the impact of land use decisions, but also the likely impacts of buildout as the City matures. Finally, the Carroll County, MD model was developed to monitor the impact of residential growth on infrastructure capacity, as defined by their Adequate Public Facilities Ordinance.

Finally, this newsletter is our first under our new name—TischlerBise. I am pleased to announce long-time associate and current Vice President, Carson Bise, as partner at the firm. This change marks an exciting, yet natural evolution for the firm. We look forward to continuing to provide the best fiscal, economic, and planning services to our ever-growing roster of clients.

Paul S. Tischler

WESTMINSTER, CO
(continued from p. 1)

department as the initial test case was conducted. Since this initial effort involved only one department, the focus was determining potential applications for the model, developing a user-friendly interface and determining methodologies for projecting capital and operating costs, as well as program-related revenue.

Based on the feedback received during Phase I, it was mutually decided that TischlerBise would proceed with Phase II, development of the complete fiscal impact model with the following design parameters:

- The model uses a 25-year time horizon and is capable of analyzing multiple land use scenarios. These scenarios can include changes to the land use plan, zoning amendments, varying absorption schedules as well as major new development projects.

The model reflects different fiscal analysis zones, including TIF districts

- The model is designed with the capability of incorporating at least three fiscal analysis zones (FAZs), which allows the City to reflect varying demographic and land use characteristics of new development. An example is using an FAZ to reflect development in a tax increment finance district.
- Inherent in the model design is the ability to incorporate the City's changing character from new growth to buildout over the model's 25-year time horizon; the City will also be able to vary levels of service.

Like all of the firm's fiscal applications, the fiscal impact model developed for the City of Westminster was developed using Microsoft Excel and Visual Basic. Following completion of the model, an implementation program was initiated, which involved hands-on training with City staff.

CARROLL COUNTY, MD
(continued from p. 1)

The model, designed in Microsoft Excel and Visual Basic, was developed to represent the particular demographic, infrastructure, and legal characteristics of Carroll County, as well as the types of outputs and analyses the County desired.

The model calculates whether a development meets or fails concurrency

As the County grows and changes, levels of capacity, inventory of capital assets, concurrency management standards and other similar factors, which define concurrency in the County, can be easily modified and updated. Alternative development schedules and assumptions can be substituted to evaluate the concurrency status of different development proposals.

Model Overview

There are two components of the model. The first evaluates the concurrency status of a proposed new development. If the project meets the County's concurrency parameters adopted in the APFO and is approved, it is moved to the "Issued & Allocated Database" and added to the County's cumulative development database. If a project fails the concurrency parameters, it is moved to the "Deferral Database" to be re-tested at a future date.

Concurrency Analysis

The first component of the model tests the concurrency status of the project. Through a series of simple pull-down menus, the user selects the specific water, sewer, school, and fire facilities that will serve the proposed development.

Using the proposed number of dwelling units and related demographic data, the model calculates the impacts of the development in terms of population, public school students, gallons of water, gallons of sewer, and vehicle trips. Various development scenarios with varying phasing assumptions can be evaluated to test the resulting concurrencies.

The model adds the impact of the new development to cumulative development impacting each category (both from existing development and future development that has been approved). The model then compares the total impact on the capacities of the affected infrastructure and calculates the project's concurrency status for each category.

The model automatically calculates concurrency management status (adequate, approaching inadequacy, or inadequate) for police, water, sewer, and schools. The concurrency status for fire and roads is entered directly.

Cumulative Development Databases

The next component of the model involves adding the development proposal to the "Issued & Allocated Database" if the project meets concurrency management standards; or, to the "Deferral Database" if the project does not meet concurrency management standards.

If a project meets concurrency management standards, it is added to the "Issued & Allocated Database," which adds the project's impact to the cumulative impact of other projects that have already been approved. This step adds the new development to the development that currently exists and those approved developments that will be served by water, sewer, police, fire, school, and road facilities in the future.

"The model provides important information for us to make better and quicker decisions"
– Carroll County Official

If a project does not meet concurrency management standards, the next step is to add the project to the queue in the "Deferral Database." This step adds the project's impact to the queue of other projects that have already been deferred.

The model keeps track of the cumulative impact of development when evaluating the concurrency of future development proposals. It has been designed to accommodate 300 new developments.

The model has several pre-defined graphs and tables for viewing the impact of cumulative development in the County.

TischlerBise News

Impact Fees

TischlerBise has prepared over 500 impact fees, more than any other firm. Highlighted below are three recent impact fee assignments.

Tucson, AZ—Over 95% of our impact fee work is for the public sector. However, sometimes we critique impact fee studies for the private sector. We believe it provides us with a more comprehensive perspective and awareness of the "minefields." The nonresidential community hired us to critique proposed road impact fees for Tucson. TischlerBise found a number of significant issues including methodology, cost assumptions, no specific capital improvement program and geographic nexus issues. By the end of the process, the City chose to eliminate this fee for nonresidential development.

Buckeye, AZ—The Town of Buckeye will be one of the largest cities in Arizona when it is ultimately built out. Given its geographic size, the calculation of development impact fees needed to be sensitive to issues related to collection and expenditure zones. TischlerBise prepared development impact fees for: water, sewer, parks, library, police, fire/EMS, streets and general government.

Henrico Co., VA—For the County of Henrico, VA, TischlerBise was hired to explore cash proffers for a number of capital facilities including: police, fire, parks/recreation, libraries, schools, and roads. After an initial feasibility study for these categories, the County decided to pursue parks/recreation, libraries, schools, and roads in more detail. The firm evaluated possible methodologies and documented appropriate demand indicators by type of development for each type of cash proffer.

Fiscal Impact Analysis

TischlerBise is sometimes hired to critique the fiscal impact evaluations prepared by other firms. A few are summarized below.

Englewood, NJ—This community, close to New York City, hired TischlerBise to critique the fiscal impact study of a proposed residential and office development that indicated net surpluses. TischlerBise requested more information in order to ascertain what the fiscal results would be if the residential development preceded the nonresidential, since the office market appeared to be soft. The fiscal results were then negative.

Queenstown, MD—A 500,000 square feet shopping center is proposed in this small community. The developer's fiscal consultant provided a report showing sizeable fiscal surpluses. However, the report failed to adequately account for significant cost increases for police, fire/EMS and off-site road expenditures. The assessed value assumptions were also aggressive. A revised study showed significantly less net surpluses.

Tiverton, RI—This small community received a fiscal impact analysis showing significant fiscal benefits from a proposed 350,000 square feet retail complex. The calculation was based on comparable impacts of similar centers in other jurisdictions. However, Tiverton is unique, as is every community. A number of capital and operating expenses were not fully reflected. Also, one of the tax categories was being phased out. These factors changed the results significantly.

Tiverton is unique,
as is every community

New Fiscal Impact Assignments:

Arapahoe Co., CO
Lawrence, KS
Pickerington, OH
Suwanee, GA

New Impact Fee and Feasibility Assignments:

Avenal, CA
Corcoran, CA
DeSoto Co., FL
El Centro, CA
Frederick, MD
Grass Valley, CA
Imperial Co., CA
Maricopa, AZ
Pahrump, NV
Pasquotank Co., NC
Pickerington, OH
Port St. Lucie, FL
Sedona, AZ
Sherman, TX
Stuart, FL

FREDERICK COUNTY, VA
(continued from p. 1)

similar factors that define fiscal expenditures, can be easily modified and updated. The model structure is also transparent and allows all users to clearly see the methodology, data, and algorithms utilized to verify the correct application of the data, thereby avoiding "black box" concerns.

County Working Group

Once selected for this assignment, TischlerBise interacted with a public/private sector working group who reviewed level of service and cost/revenue assumptions and assisted with implementation of the finished model.

The model structure is transparent and flexible

Design of Model

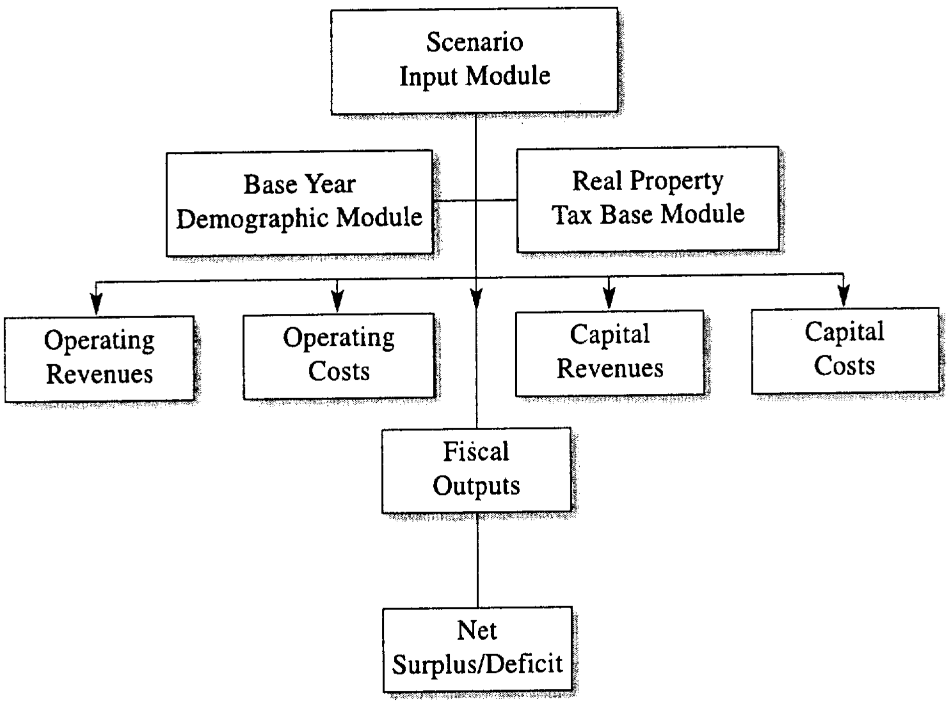
To develop the model, TischlerBise staff interviewed major County facility and service providers to understand how each department is structured, as well as to gather information regarding current levels of service, available capacity of capital facilities, facility-related operating costs and how different types of growth affect services. Based on these discussions, a unique methodology was developed for each service and capital facility type.

A unique methodology was developed for each service and capital facility type

Applications

Although the model can be used for long-range planning applications such as evaluating Countywide growth scenarios, the primary use of the model will be to review and assess the impact of specific development proposals, such as rezonings. The overwhelming majority of counties in the Commonwealth of Virginia are not authorized to collect impact fees, and therefore rely on "voluntary" proffers. Since these proffers can only be committed at the time of a rezoning, the model's output on capital facility impacts will provide valuable information for these negotiations.

The Dynamics of a Fiscal Model



duncan | associates is an award-winning planning consulting firm specializing in plan implementation. One of the nation's leading consultants to public agencies, the firm provides professional services in the areas of land development regulations, growth management and impact fees.

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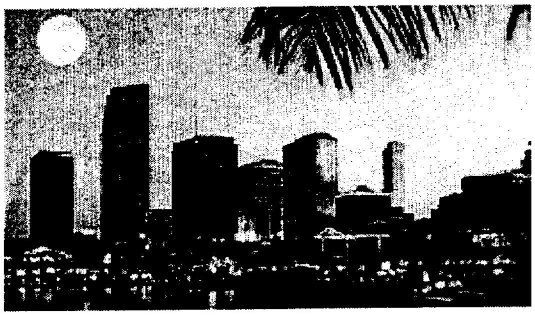
Impact Fees

Since 1987, Duncan Associates has become one of the nation's leading consultants in the field of impact fees. The firm has drafted over 240 impact fee studies for more than 60 clients in over 20 states. In addition, Duncan Associates was selected by a Special Governors Task Force in Florida to study the fiscal impact of alternative development scenarios throughout the state; by the Puget Sound Council of Governments (Seattle/King County, Washington) to evaluate alternative growth management and facility financing strategies; by Montgomery County, Maryland to conduct a nationwide survey of adequate public facility programs; and by the State of Minnesota to determine the fiscal impact of growth on local governmental jurisdictions.

Our Approach

Impact fees are somewhat unique in that they are both a financing and a regulatory tool. As such, they can be developed using a wide variety of alternative methodologies and alternatives. Since each alternative can have significantly different implications in terms of revenue potential, incidence (who pays) and resultant urban growth patterns, it is important to carefully select an approach and methodology that fits local planning and growth management policies. Our familiarity with the "cafeteria plan" of available methodological alternatives enables us to craft an impact fee system uniquely tailored to the local community.

Miami/Dade County, Florida
Educational Facilities Impact Fee Study



For the Dade County Public School Board, Duncan Associates prepared an impact fee study that addressed critical school overcrowding. Enrollment in the Dade County public school system, the fourth largest in the nation, had been increasing at over five percent per year for more than a decade. By the early 1990s, over 40 percent of all its students were being educated in 2,300 portable units and school overcrowding had become a serious local political issue. Because of the urgency, the entire study was completed in only 120 days.

In order to ensure that the new school impact fees were as locally tailored and acceptable as possible, a 24-member advisory committee was appointed to assist and advise the process. Determining the capital cost to accommodate new students was the first step in calculating school impact fees for the district. This step involved an examination of all recent capital expenditures for educational facilities, buses, portables and maintenance buildings. School facility costs were analyzed in terms of land, construction and FF&E (furniture, fixtures and equipment). Average costs per student were determined to be $12,055. Since so many of its students were located in portable units, costs were adjusted by a "utilization factor" to take into account overcrowding (pre-existing deficiencies). Three forms of credit were calculated: state funding for capital facilities, property taxes from local option millage levies and property taxes from school bond issues. To address housing affordability, fees were based on unit size (bedrooms and square footage, using regression analysis of current housing data from tax records). The study concluded with a comparative analysis of the Dade, Broward and Palm Beach County school districts. All three systems were shown to be rapidly increasing in enrollment and the Dade County fee was about the same as those in the other districts.

Period: December 1994 - May 1995
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